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WHAT CONGRESS HAS DONE TO BUILD UP AN AMERICAN MERCANTILE MARINE ¹

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United States Senator from Florida

IN 1783 Mr. Pitt introduced a bill in Parliament allowing comparatively free commerce between the United States and the British colonies—more especially the West Indies. Lord Sheffield led the opposition and advised the British government not to interfere too extensively with the Barbary pirates who, because of our insufficient naval force, were in position to continue operations to destroy American commerce. He published a book in 1783, entitled *Observations on the Commerce of the United States*, which passed through at least two editions, in which he said:

The Americans cannot protect themselves (from the Barbary States); they cannot pretend to a navy. In war New England may have privateers, but they will be few indeed if we do not give up the Navigation Act. . . . The want of durability in their timber would make a navy most expensive to them. A country which has such opportunity for farming cannot be supposed to support many seamen. There is not a possibility of her maintaining a navy. That country concerning which writers of lively imaginations have lately said so much, is weakness itself. Exclusive of its poverty and want of resources, having lost all credit, its independent government, discordant interests, and the great improbability of acting together, the circumstances alone of such a vast country, with a third less of people than that small spot in Europe inhabited by the Dutch, are incompatible with strength. Her population is not likely to increase as it has done, at least on her coast. On the contrary, the present inhabitants are likely to fall back on the interior country to get better land, and avoid taxes; and that they may in some future age become numerous as a country of farmers, without markets, can be

¹ Address at the dinner of the Academy of Political Science, New York, November 12, 1915.

expected; but the settlers beyond the Alleghany Mountains cannot become commercial.

Just to indicate how wide of the mark this guess was, we might pause to note that the country which was said to be "weakness itself," now has a population of a hundred million and a national wealth of \$188,000,000,000 — nearly as great as the wealth of Great Britain, Germany and France combined! The comptroller of the currency, in a recent admirable address, stated: "The total annual income of the people of this country from agriculture, from mining, from manufactures, from transportation, from fisheries and other productive occupations is now estimated at \$30,000,000,000 per annum." He places the deposits in the banks of this country — national, savings and state, including trust companies — at approximately \$23,000,000,000 — an increase of \$14,500,000,000 since 1900. Our financiers have just loaned the nations of Europe a sum far in excess of any sum ever loaned at one time by any nation to another or combination of others. Since August 1914, we have paid to Europe a floating debt of \$350,000,000 and have taken up securities held there for investment to the amount of between \$750,000,000 and \$1,000,000,000. But the lamentable fact is that we are situated and are acting with reference to our mercantile marine in overseas trade very much as might be expected from that description of us by Lord Sheffield.

The total number of steamers owned by all the nations of the world on June 30th, 1914, was 30,226, and the amount of the world's steam tonnage was 45,403,877 gross tons. Of this there were registered in the United Kingdom 8,587 steamers, totaling 18,892,089 tons, over 40% of the total tonnage of the world. Under American registry were 1,076,152 tons—a little over 2% of the whole. Since the outbreak of the European war approximately 9,000,000 tons of merchant shipping, about 20% of the whole, have been destroyed, captured, commandeered or otherwise put out of the merchant service. The rates of freight were never so high, the profits of the business were never so great, the demand for tonnage was never so insistent and pressing as now.

How will the need be supplied? We are told that private capital is supplying it for this country, and, as evidence of this, our attention is directed to the increase of work in our shipyards. Let us see to what extent ships are being built to engage in foreign commerce and whether the necessities of our situation are being approached. Analyze the tonnage under construction in American shipyards, as recently reported, and you will find it comes substantially to this:

Merchant vessels

30 oil tankers, D. W. tonnage	264,935
3 molasses tankers, D. W. tonnage	17,400
8 colliers, D. W. tonnage	32,475
6 lumber steamers, D. W. tonnage	22,500
7 combination freight and passenger strs., D. W. tonnage	26,200
13 freight steamers, D. W. tonnage	64,800
62 barges, lighters, scows, <i>etc.</i> , D. W. tonnage estimated	50,000
7 sailing vessels, D. W. tonnage	13,620
7 tugs, D. W. tonnage	1,500
2 yachts, D. W. tonnage	1,800
1 floating hospital, D. W. tonnage	1,000
<hr/> 146 Total	<hr/> 496,230

Five of the oil tankers, 26,400 tons, are being built for foreign owners. Of the general cargo boats only two are intended for strictly foreign trade, to wit: one vessel being built for W. R. Grace & Co., and one for Hind-Rolph Coal and Navigation Co., although the latter may be used as a collier. This total tonnage is 14,000. I am considering the three boats being built for Munson S.S. Co. and one for the New York and Cuba S.S. Co., as being intended for the Cuban service, which is generally regarded as coastwise trade, although technically it is foreign. The total tonnage of these four boats would be about 18,300 tons. Two of the cargo boats in the list are intended for the Great Lakes, two for Puget Sound and one for Delaware Bay. All the other general cargo boats are intended for the coastwise trade except a 9,000-ton vessel being built by the Union Iron Works for their own account, supposedly for speculation. It is very doubtful if any material number of the vessels built for coastwise trade could be used in the oversea trade because of in-

sufficient bunker capacity, to say nothing of other features of their construction.

Under construction in American shipyards the total number of government vessels is 81, of which 69 are for the United States and 12 are for foreign governments. The cost of the work being done for the government is far in excess of the cost of the work being done for private owners. In addition to new work, our shipyards are doing repair work on 207 merchant vessels of all descriptions.

Out of all this extraordinary crowding of the yards the net result is that we have under construction three general cargo steamers intended for foreign trade, giving a total of 23,000 tons—considerably less than one-half the tonnage of one German vessel tied up in New York harbor, the *Vaderland*. Does this look as if private enterprise were taking care of the situation?

Compare what has been done in the United States with what was accomplished in some other countries—in Germany, for example. The whole sea-going steam merchant marine of Germany is of iron and steel, and comprises a relatively large number of the largest, fastest and most powerful steamships in the world. The two largest, wealthiest and most powerful single steamship companies in the world are the Hamburg-American Company and the North German Lloyd. The former is opposed to any subsidy. The latter enjoys a subvention of insignificant amount compared to tonnage and service, and compared to what we pay under our mail contract law. Not until after 1880 did Germany begin to build her steamers. In 1870 it became imperative for the consolidated German Empire to build and equip a navy in its own shipyards. The demonstration there made gave the ship companies confidence and they began building at home, withdrawing most of their former patronage from the British constructors on the Clyde and Mersey. The merchant marine of Germany is under the general supervision of the Department of the Interior.

There are seven German shipping companies, which together have a total of 3,510,000 gross registered tons. There

are in all 43 German shipping companies with more than 20,000 gross tons each. The service has developed a specialty in the establishment of regular lines, and until the war there was line traffic connecting Germany with every part of the world possessing any commercial significance.

In return for the little aid that was extended to the North German Lloyd, the company agreed to (1) fix upon certain termini; (2) establish certain routes, with certain stops; (3) establish branch lines; (4) raise maximum speed to $13\frac{1}{2}$ knots per hour and make all new steamers for this service not less than 6,000 tons; (5) pay heavy penalties for failure to carry out the contract. By this contract the foreign commerce, national influence and progress of Germany were carried to East Asia, Australia, East Africa and the Mediterranean, by separate lines.

The Hamburg-American Line alone, at the beginning of 1913, embraced 74 regular steamship lines. It owned 192 ships, with a gross registered tonnage of 1,254,000. In 1911 this line carried 403,000 passengers and 7,990,000 tons of freight. The next largest company, the North German Lloyd, at the beginning of 1913, possessed 133 ships, with an aggregate of 821,000 registered tons. In 1911 the line moved 514,000 passengers and 3,590,000 tons of freight.

On June 30th, 1915, there were 2,794 vessels of the United States of 1,813,775 gross tons registered for foreign trade. Of this number, 26 steamers of 147,070 gross tons belonged to the Standard Oil Company (New Jersey); 24 steamers of 113,243 gross tons, to the United Fruit Company; and 10 steamers of 48,271 gross tons, to the Steel Corporation; total for the three, 60 steamers of 308,584 gross tons. These totals subtracted from the general total above leave for all other owners, 2,734 vessels of 1,562,950 gross tons. One single German line in 1914 nearly equaled all our foreign trade tonnage.

The Standard Oil ships are tankers built particularly to carry oil in bulk, and their export trade is practically confined to oil. On the return voyage these steamers sometimes carry small amounts of miscellaneous imports. The United Fruit

Company's ships are specially-built ships with refrigerating apparatus, and their import cargoes into the United States consist almost wholly of bananas and other tropical fruits. They export from the United States large quantities of miscellaneous general cargo, and the company's steamers are the largest transportation factor in the export trade of the United States to the countries of Central and South America and the West India Islands, with which the steamers trade. Many of these steamers do a large general passenger business. They carried 700,000 tons of general export cargo from the United States last year.

As to the cargoes of the Steel Corporation ships, my understanding is that in addition to steel products and raw material for steel manufacture, these ships also engage in general commerce. I understand that they operate only a freight service to the west coast of South America and their only passenger boat, the Crofton Hall, to Brazil and River Platte ports.

The cargo boats of the New York and South America Steamship Co. and the Crofton Hall are the only American vessels in the South American trade, excepting the United Fruit Company's ships to Colombia, which are generally classified with the Central American trade.

This is our situation, while for the year 1913-1914 our imports by water amounted to \$1,737,708,653 and our exports to \$2,047,759,859; and for the year 1914-1915 (ending June 30th, both years) our imports amount to \$1,526,269,412 and our exports to \$2,466,356,063. Ships under British flag are our main reliance for enabling us to do this business. Yet such ships under existing conditions are likely at any time to be requisitioned for government purposes, and the British government has recently materially increased its income taxes, of which ship-owners must pay their share, and this will be reflected in further increases to the present staggering freight rates. Again, the British government will not permit Americans to charter British ships. Did not the British government recently, through its Board of Trade, take its entire tonnage away from Argentina and send the ships to Australia for cargoes and thus paralyze Argentina's trade in meat with depressing consequences in other trade?

Our position, then, is one of abject dependence on foreign ships for carrying the great bulk of our overseas commerce. It is imperative that we inquire, How are we to build up, not merely a merchant marine, but an American merchant marine? Not by having American citizens investing in ships sailing under foreign flags and owing allegiance to foreign countries. Not by having Americans invest in ships flying our flag but really owned and controlled by foreign interests. Nor yet by having ships of American registry largely or wholly owned by American citizens but in combination with foreign lines which will have the power to parcel out the routes and the business and fix the traffic rates.

An American merchant marine means, if there be any sincerity in the name, merchant ships having American registry, controlled by Americans, operated by Americans, for Americans, independent of any supervision or influence by any other country or people. It should be ample in tonnage to carry the export and import trade of the United States. It should be operated efficiently and be forever free from foreign domination.

I do not know how this can now be secured except by governmental control. Even if individual enterprise could be developed sufficiently strong and effective to produce an adequate tonnage, privately controlled ocean transportation may serve the purpose today, and tomorrow may join foreign combinations in utter disregard both of investors and the public. The record of the past shows that this has frequently been done. That would mean that the United States, notwithstanding the nominal tonnage under its flag, was still dependent upon other nations for its ocean transportation. We ought to control our own.

As to private control, there are two great obstacles to contend with: First, the capital required to make even a small beginning runs into millions. Where is this capital to be had? Only great concerns like the Standard Oil Co., the United States Steel Corporation and the United Fruit Co. can find the means. They are able to build the ships to carry their own goods to foreign markets. But the great number of pro-

ducers in this country cannot do it, each for himself, nor form sufficient co-operation to do it. The capital required, I apprehend, will be found to be controlled by those interested in maintaining the situation as it is—with practically no competition.

Second, the independent line, when established, is in danger of being confronted with rebates and other practises which may drive it on the rocks of despair. Fighting ships of the combinations have operated heretofore in that enterprising way and are likely to be brought into the same service at any time.

In the New York *World* for Sept. 25th last appeared statements, including one by F. B. Boulton, President of the Federal Forwarding Company, who quite circumstantially charged that "a triple combination" consisting of the British Government, the Netherlands Overseas Trust and the Holland-America Line, is operating so successfully that the profits of the Federal Forwarding Company have been wiped out through the detention of their ships with valuable cargoes, even though the ships had been loaded and the manifests passed by British consular agents in the United States before the departure of the craft. Some independent companies charge that a fourth member, Lloyds', has been added to the combination. Mr. Boulton said: "My company is openly fighting this Holland-America Line. We are giving lower rates, and we could make money at these rates if it were not for the detention of our cargoes."

This shows how little chance the average American has who tries to get into the overseas steamship business in competition with these interests, and argues most forcibly that an American merchant marine for the overseas trades, as distinguished from the coastwise trades, can only be successfully inaugurated by the government.

Take another illustration. It appears that Brazil allows a reduction of duty of 20% on American cement. That ought to insure us that trade. But what happened? A gentleman who has experience in that direction tells me:

The Europeans by an aggressive propaganda in the press have educated South Americans to believe that North American cement is worthless, and as a result England, Belgium and Germany have controlled the markets of those countries for that article. Kraemer & Co., of Rio, received samples of North American cement and decided to give it a trial. They ordered several thousand barrels which were distributed on arrival in Brazil and gave great satisfaction. As a result, Kraemer & Co. placed a big order for North American cement in the United States. The European cement manufacturers were not long in learning of this, and they immediately proceeded to arouse their governments. As a result, the foreign European lines, operating from New York to Brazil, immediately raised the freight rates on cement, absorbing the preferentials given by Brazil, causing the cancellation of the order for American cement, thus compelling the Brazilians to get their supply from England, Belgium and Germany.

This gentleman's view is:

This is only one of the many object-lessons which go to prove that reciprocity with South America, or any other country for that matter, amounts to nothing on paper, unless it is backed up by an American ocean transportation system owned and controlled by Americans and under the supervision of the government of the United States just as our railroads are.

This experience, typical of what may be expected under existing conditions, and the conclusions urged, should command consideration.

It would seem quite clear that we can no longer afford to be dependent upon others for practically the sole means of transporting our commerce. It is not unreasonable to say that their interests must control them, and we know their interests are not always our own. In times of national emergency certainly, and in ordinary times most probably, they will consider their interests first. There is no way we can care for the great and increasing foreign commerce of this country except by having in the hands of Americans the moving bridge between us and other countries. When foreign commercial competitors control the ocean transportation, what can the people of the United States expect?

Through lack of merchant vessels to carry its cotton abroad the South suffered a loss of over \$200,000,000 last year. The farmers of the Northwest for the same reason suffered losses of millions. Phosphate could not be moved at all. Lumber and coal shipments were seriously limited. Our merchants and manufacturers likewise sustained heavy losses and thousands were out of employment who otherwise would have been regularly engaged if the United States had controlled ample fleets of American ships. On occasions we hear quite a little about our independence and freedom. On land the United States is a full-grown man; on the sea, a child in a row-boat without a life-belt.

In transmitting the proceedings of the Pan-American Conference to the President, Secretary McAdoo says:

There was unanimous opinion that two things are essential to the development of trade and improved relations between the Latin-American nations and the United States, *viz.*:

1. The granting by United States bankers and business men of ample credits to Latin America and the prompt provision of the necessary organization and facilities for this purpose.

2. The prompt establishment of adequate steamship facilities between the leading ports of the United States and South America which the conference, by resolution, declared "a vital and imperative necessity."

No one wishes to stifle or hamper private enterprise; but it would be folly to close our eyes to the facts, and it would be inexcusable short-sightedness not to profit by most trying experiences. Those who contend shipping should be left to private enterprise admit that the ocean tonnage of the United States registered for foreign trade has declined from more than two and a half million tons in 1861 (2,642,628) to a little more than a million tons (1,076,152) in 1914. This tonnage, by reason of additions under the Registry Act of 1914, on June 30th, 1915 reached 1,813,775 gross tons. The amount of tonnage entering and clearing at seaports from and to foreign countries has increased, of course, many times since 1861. It is nearly three times as great as it was in 1887. Whereas

American ships under our flag carried 65% of our commerce in 1861, they carried 9.7% in 1914. The vessels of one foreign country alone, Great Britain, carried 53.7%.

With these facts conceded, it is difficult to follow the logic of the argument which commits us to the course heretofore pursued as the best or the acceptable method of building up our merchant marine. The irresistible conclusion must be that by pursuing that course our flag will inevitably vanish from the seas, as it has been gradually doing during the past fifty years.

Our tonnage engaged in coastwise and inland trade has steadily increased for many years. On the Great Lakes especially is employed a fine and powerful merchant fleet—610 vessels of 2,352,264 tons. Its development has been most gratifying and it is pleasing to note, that without any subsidy or subvention of any kind, there we have an example of the cheapest and most efficient means and method of taking care of water-borne commerce in the world. None but American ships can engage in this coastwise and inland trade, and these are exempt from tonnage dues. This has always been our policy and the law. We have no serious problem regarding our coastwise and inland service. There is no complaint of insufficient ships or inadequate service.

In speaking of merchant marine here, we have reference to merchant ships engaged in the overseas trade. What laws affect these? We hear it averred by people who plainly do not know what our navigation laws are that they are antiquated and constitute a large factor in causing the decay of our merchant marine. The challenge to point out such laws has been met by silence or meaningless generalization. It is true that selfish interests did begin to make themselves felt in the making of the constitution, and subsequently in absurd laws. Later those who, in a mistaken way, thought they should benefit the shipyards, no matter at what cost to trade and commerce, by creating monopoly and giving high protection for their benefit, did write into statutes provisions which had the effect of harming the special industry they were aimed to benefit and seriously injuring shipping.

But away back in 1880 began a crusade to do away with these laws, and gradually as their bad effects became apparent, they have crumbled, until today the only feature of our navigation laws designed solely to protect shipbuilding and establish monopoly which remains on the statute books is Section 4347 of Revised Statutes, providing that foreign-built vessels cannot engage in the coasting trade of the United States. Even this does not, of course, affect the American merchant marine in the foreign trade.

Our first registry act (the eleventh law passed by the American Congress) was passed Sept. 1st, 1789, and restricted American registry to ships built in the United States or ships not built in the United States but belonging to citizens of the United States on May 16th, 1789. On December 31st, 1792, Congress passed a registry law, more elaborate in detail, taking the place of the first and maintaining the same essential principles, excluding foreign-built ships from American registry. That was changed in 1912 and completely repealed in 1914, so that ships may be built or purchased anywhere and admitted to American registry for foreign trade, but, as heretofore, ownership of American ships is restricted to "citizens of the United States, or a corporation organized under the laws of the states thereof." But this has been held not to prevent foreign capital to an indefinite extent being invested in a corporation owning American ships.

Other laws provided that the master of an American ship, and all the officers in charge of a watch, including the pilots, must be American citizens. In 1914 Congress authorized the President by executive order to suspend this requirement for a period of seven years, which he did.

Since 1871 foreign materials for shipbuilding have been admitted free of duty. Since 1909 such materials, as well as all articles necessary for the outfit and equipment of ships, have been duty-free, with this proviso, that vessels receiving these rebates of duties "shall not be allowed to engage in the coastwise trade of the United States more than six months in any one year," except upon payment of the duties remitted; and that vessels built for foreign account and ownership shall

not engage in this trade. The Panama Canal Act of 1912 and the Tariff Act of 1913 provide for free materials and equipment for ships in the coastwise trade as well as the foreign trade.

The Tariff Act of 1913 (Paragraph J, Subsection 6) provided for a reduction of duties of 5% on all goods imported in American bottoms. This provision is in question in the courts.

The only other law I can recall which might be cited as bearing on the subject is what is known as the Seamen's Law, passed in 1914, going into effect November 4, 1915 as to vessels of the United States, and March 5, 1916 as to foreign vessels, except such parts as conflict with treaties or conventions, and those take effect on the expiration of the period fixed in the notice of abrogation. This law is being vigorously assailed by shipping interests, but of course it has neither helped nor hindered American shipping in the past. It contains 20 sections. Shipowners insist on amendments changing one section and striking out three. Sixteen sections are generally approved. But we hear very little of anything good in the law. I will refer to this law later.

For some years past steel ships have been purchased more cheaply abroad than at home. American capital purchased ships abroad and operated them under foreign flags. This was done by forming corporations in foreign countries—Americans holding practically all the stock—because all countries have required that the owner shall be a citizen or subject of the country whose flag the ship flies. The corporation, organized under the laws of a country, is regarded as such citizen or subject. Foreign-built ships owned by Americans in fact, but of record by foreign corporations, have about equaled in tonnage ships registered under the American flag for foreign trade.

The Democratic national platform in 1880 declared for "free ships and a living chance for American commerce on the seas and on the land." The Panama Canal Act of 1912 was the first firm, direct step in the accomplishment of this end. Even under that, after many years of effort in that

direction, only foreign-built ships less than five years old, owned by Americans, were enabled to raise their own flag. Sec. 5 of the Panama Canal Act of Aug. 24th, 1912, allowed foreign-built vessels, steam or sail, certified by the steamboat inspection service as safe to carry dry and perishable cargo and not more than five years old, to be registered for foreign trade, including trade with the Philippines, Guam and Tutuila.

In March 1914, before there was even a rumor of a European war, Secretary Redfield asked for the passage of the Registry Act of August 1914, which eliminated that limitation as to age and affirmed in full the traditional Democratic policy. This measure, enacted and put into operation during the present national administration, has been a distinct and undisputed success. It has brought, as already stated, our tonnage registered for foreign trade from 1,076,152 tons on June 30th, 1914, to 1,813,775 gross tons in 1915. Of course this does not mean that that much new tonnage has been built or acquired during that time by American owners. Most of this increase resulted from the transfer of American-owned ships from foreign to American registry, which the Registry Act allowed.

The Act of June 28th, 1864, provided that "officers of vessels of the United States shall be in all cases citizens of the United States." Many vessels, otherwise eligible to registry under the acts of 1912 and 1914 above mentioned, carried officers who were not citizens of the United States, and these vessels desired to take American registry. The Dollar Line, with English officers, was among those desiring to qualify. Accordingly, pursuant to Sec. 2 of the Ship Registry Act of Aug. 18th, 1914, the executive order of Sept. 4th, 1914, was issued permitting alien officers on ships admitted to registry to serve until Sept. 4th, 1921.

It has been charged that our plan of tonnage measurement is unfair to ships under our flag. This, like certain other criticisms of the laws, is without justification. There is no need of any new legislation on that subject. The Commerce Department has made regulations practically adopting the British regulations as to measurement, so there is now no adverse discrimination in tonnage dues.

Someone may ask, "What about the Seamen's Law which went into effect on the 4th of this month?" I will give a few facts about that law. It has been so roundly abused, in large part, if not wholly, unjustly, that great prejudice has been created against it. The mere mention of it has got to be as alarming as the mark of the beast in Revelation. It certainly has some admirable provisions and apparently few objectionable ones. Perhaps these can be improved or eliminated. It would have been fair to wait until the Department of Commerce had construed it and adopted regulations under it before indulging in violent denunciation. While we are getting it into operation and seeing how it works, it may help the patience of our friends, the ship-owners, to reflect on the old teaching of the vikings that "whoever was never wounded was never happy."

It has been claimed for years, I believe, that by reason of some laws or regulations respecting seamen on our ships, the cost of operating under our flag is greater than under foreign flags. These laws or regulations have to do with the number, the accommodations and the food of the crews on each ship. It is also claimed that American crews demand higher wages than crews on foreign ships. It is now claimed that the Seamen's Law will increase this difference in operating expense to our disadvantage.

In the first place, I have no sympathy with those who ask that sailors on American ships be put on a level as to wages and treatment with the seamen of certain other countries. In the next place, if we are to ever have a naval reserve, we should have trained seamen to man the vessels. We must make it worth while for our young men to go to sea. In time of trouble it would be a hazardous situation for us to be dependent on foreigners to man our vessels and fight for our flag. Their native land might be involved and such seamen might refuse or do worse. Suppose the Seamen's Law does subject the lines to some extra expense; they could scarcely feel it. Refer to the statement in the *New York Journal of Commerce* of Oct. 27th last, under the heading "Mercantile Marine Makes Large Gain in Earnings." Among other things, it says: "At

the current estimated rates of earnings the International Mercantile Marine is earning net profits of between \$65,000,000 and \$70,000,000 per year."

The wages of crews for American ships cannot very well be reduced by any legislative act. The only practical alternative is to endeavor by legislation to make a free market in American seaports for the hiring of seamen. Heretofore, if a seaman arriving in an American port on a foreign ship left the employ of his ship, he was arrested as a deserter and returned to his ship. This sort of servitude exists in no other vocation. The Seamen's Act does away with this. Hereafter, seamen arriving in American ports may leave their employment without fear of arrest, though they will forfeit half their wages. This great addition to the supply of available seamen for American ships must tend to reduce the seamen's wages on American ships, if unduly high. At the same time, it will cause owners of foreign vessels to increase the wages of their seamen to keep them from leaving. As a result, seamen's wages on American vessels and foreign vessels will become equalized. I find that the strongest objection to the Seamen's Act on the Atlantic coast comes from foreign shipping interests. As to the action of the Pacific Mail abandoning their trans-Pacific service, it would take too much time to go into the subject fully, but I may assure you that there is nothing in the Seamen's Act which necessitated their action. Mr. Justus Wardell, surveyor of the port of San Francisco, has just made a report in which he shows that on every trip which the Pacific Mail steamers "Mongolia" and "Manchuria" made, the Pacific Mail Company cleared \$128,000 net. Each of these steamers made about eight trips a year. Surveyor Wardell reports that a Pacific Mail official stated to him that compliance with the Seamen's Act would have necessitated changes in the engine-room only. These changes, Surveyor Wardell reports, would have cost the Pacific Mail only \$1,000 a month extra. Figure it out yourself. Net annual profits of each ship, \$1,024,000. Increased cost of operation on account of the Seamen's Act, \$12,000. The fight on the Seamen's Law assumes the attitude of a contest between

the decent instincts of man and his gainful appetites. There are those who say that the Pacific Mail quit because they had to make good on their original announcement in view of the furore that the press had made over it. At any rate, they were able to cash in a good big profit on the transaction, sufficient to more than double the market price of the company's stock. It is said that one of these ships loading on the Pacific Coast will earn two-thirds of her cost on the single voyage to Europe. Although they absolutely abandoned their patrons who furnished all the business they could take care of and turned the bows of their ships from the Pacific to the Atlantic, sold and transferred them, they are still operated under the American flag, and the Seamen's Law applies as well in one ocean as the other. This kind of thing emphasizes the view that we are confronted with an absolute necessity that some agency shall right now provide steamship service under our flag between the United States and foreign countries.

It will not be denied that we have today — and they may pass soon if not taken advantage of—marvelous opportunities for extending our trade throughout the world. When gentlemen say that our laws and regulations deter or stand in the way of re-creating a merchant marine; when they say that they have been forced to give up the Pacific entirely and that they cannot compete on the ocean with foreign lines, all they say but furnishes unanswerable argument that it is the duty of the government to step in and supply the ocean transportation facilities which it is of vital interest to the whole country should be had and maintained. We get the trade we want by going after it. We can make and sell in the foreign markets of the world, when transportation facilities are provided at reasonable rates, just as good articles for as little money as any other country. No individual country need dominate the seas. Our export trade should materially increase with the Orient and Latin America, and it will if ships flying the American flag are put in operation to open up the routes and maintain a permanent and proper service.

Is a great, powerful, rich country like the United States to

surrender to a combination of shipping interests, throw up its hands, and confess itself absolutely helpless and hopeless, and unable to keep its flag on the seas, to protect its commerce, to take the surplus products of its fields, mines and factories to the waiting markets of the world, there to exchange them for the things we need in those markets, settling the balance in bills on our financial centers, expressed in dollars and cents? For fifty years we have hoped that individuals would engage in that most profitable business with American ships. Our chief investors in shipping have solemnly said that "free ships" would not induce them to give their ships American registry under normal conditions. Although the legislation for free ships will help, as it has already helped, when peace is restored our flag will be hauled down on many vessels, we are told; and if that be true, our problem will remain unsolved if we rest where we are.

We have noted that our exports increased this year over last. We have observed that our shipyards are working to capacity. We have seen American tonnage increase since the Registry Act of 1914 went into effect, and the percentage of commerce carried in American bottoms increase. But we must face the facts, on the other hand, that our imports have decreased; that over \$700,000,000 of our exports are solely for war purposes. Freights have gone mountain-high and in some instances are prohibitory—instance phosphate, coal, lumber and other products. Some of our products cannot be moved at all over sea where the markets are. Our yards are busy mainly with naval work, and very little new construction of merchant ships for foreign trade is going on. The world's ocean tonnage has greatly decreased. Export of "regular merchandise" for the year ending June 30th, 1915, is nearly \$200,000,000 less than in 1914. To North America the decrease was 52 millions, 10%; to South America, 25 millions, 20%; to Oceania, 6 millions, 7%. The present year, it is claimed, we have exported only 32% as many agricultural implements, 52% as many sewing-machines, 33% as many steel rails, as we did in the year before the war. The figures show, too, that we are actually losing our exports to the neutral countries faster than to the belligerents.

However, the trade is not only ready for us, but insistent. If we had the carriers now our foreign commerce would enormously increase. This is shown by the comparison of the exports for the eight months ending August 1915, with those of the eight months ending August 1914, which ought to be mentioned in connection with the estimate for the year just given. The strong tendency is for our exports of "regular merchandise" to assume normal proportions even now. For instance, in the exports to Europe in the eight months last mentioned there was an increase of 857 millions, 109%; to North America an increase is shown of nearly 3 millions; to South American, an increase of 21 millions, 32%; to Asia, a gain of over 28 millions, 46%; to Oceania, an increase of 12 millions, 24%; to Africa, an increase of 5 millions, 31%. The total of our exports grew 920 million dollars in these eight months, or 70%.

Do not doubt, however, that our exporters are paying foreign ship-owners dearly for this business. The rate on grain to Liverpool is 40 cents a bushel, while before the war it was 4 cents. The rate on flour has gone from 12 cents to 65 cents a hundred pounds. On provisions the rate is increased from \$5 a ton to \$1 a hundred pounds. On cotton the rate is \$1.25 where formerly it was 20 cents a hundred pounds. Eastern railroad terminals are congested, due to lack of ships. Freight continues to pile up at the ports. No law controls ocean rates. We may expect to pay foreign shipowners their own price, and that price will be higher yet.

Once upon a time Illinois owed millions to Europe; she could not pay because her chief means of raising money, the grain crop, could not avail for the reason that there was lack of cheap transportation; and again, foreign corn laws excluded her wheat from a market in the land of the creditors. Repudiation was threatened, but with rugged honesty, by persistent industry, after a time the debts were fully paid.

Our markets can be restricted or eliminated without resort to import laws—control of the means of transportation is sufficient. The welfare of our producers is in peril, the necessary equipment of the nation itself is incomplete when we are de-

pendent on foreign vessels to reach markets. The government can bring about public control of terminals. It can do away with the differentials complained of. It can regulate rates on the ocean to a great extent. It can arrange for through bills of lading and reasonable traffic agreements with connecting land carriers. All of these matters which have been mentioned as needing correction can be remedied—matters which individuals cannot reach and which materially affect the water carriers.

The same provision that the government would work out through the shipping board for the ships under its control it would assist in arranging for all other lines. I cannot escape the strong conviction that our problem can be solved only along the lines of the amendment to S. 6856 offered January 26th last. I do not mean to take an arbitrary position. If anything better is proposed or any modification is suggested that reasonably promises to improve existing conditions more certainly and speedily, to serve the ends of justice for all concerned, to take care of the public interests and achieve the common good, I should lend it what support I could.

We have seen what the situation is. Although the minority report on the Ship Purchase Bill (S. 6856) argued that there was no occasion to be disturbed, that really a let-alone policy was probably the wisest after all, in effect that there was no call for Congress to do anything, I think it may be agreed that there is widespread demand for resuscitating our merchant marine. The truth is, delaying action thus far by filibustering to death the bill before the last Congress has resulted in a loss of hundreds of millions of dollars to the people of the United States in extortionate freight charges and loss of commerce.

The records show that enormous profits were made in foreign shipping before the war. No doubt foreign shipping people will continue to charge American merchants the last cent the traffic will bear. Even before the European war there was no certainty or stability about rates on bulk freights. Since then contracts have been violated, agreements disregarded, quotations ignored and charges fixed (irrespective of

previous agreements) at whatever the shipowners chose to name.

The cry of socialism and paternalism has been raised. A mere name, however violently shouted, does not frighten me. That cry has been raised before. Paternalism and socialism were shrieked when other legislation which put the government into private business and which the people would not countenance repealing now, was proposed and enacted. I might mention as attacked on similar grounds the postal savings law, the parcels-post law, the rural free-delivery law; even the five acts in reference to agricultural education, establishing agricultural colleges and providing for agricultural extension work; respecting the Panama railroad and steamship line which was taken over by the government; providing for the construction by the government of a railroad in Alaska; even the measure for building of dams for power and irrigation purposes, the government manufacturing its own cement. The bill to establish the federal reserve system was criticized on similar grounds; also the law creating a bureau of marine insurance in the Treasury Department of the government, without which most of our export trade since the war would have been impossible. Similar protests and dire predictions were heard when the interstate commerce commission was established under the administration of President Cleveland in 1887. Railroad authorities themselves pay high tribute to that great commission, and I think it is quite universally conceded that it is an absolutely necessary portion of our governmental institutions. Legislation definitely creating a permanent merchant marine will enable the American people to assert and protect their rights and interests in the vital matter of ocean transportation and overseas trade—and I know of no other way of reaching that point or accomplishing that result.

There is no use to discuss subsidy. It so happens that the United States now grants to four ships a larger subsidy, about \$750,000 a year, than is granted by any other country in the world for similar service. The favorable mail contracts now provided for by law are the only subvention the government

will give. It is remarkable how futile these have been in the building up of our merchant marine.

Contrary to general impression, the merchant marine of the maritime nations of the world receives no subsidy. Mail subvention for fast mail and passenger service, yes; but a subsidy such as some of the opponents to the government merchant marine ask for, no; the great bulk of the world's ocean commerce is carried in the lowly "tramps" or non-passenger cargo boats, which never received one cent of subsidy from any country. It can be shown that the normal profits of ocean steamers are so large that it is absurd to talk of subsidies as a remedy for our shipping plight. Since the facts are becoming better known, those who advocate subsidy are becoming fewer in number.

I believe I have made clear that none of the remedies advanced by opponents to a government merchant marine will do. Our present navigation laws are not at fault; subsidy is out of the question; and private capital will not or cannot provide an adequate American mercantile marine for the overseas trade.

The only objections I have heard advanced against a government merchant marine are three: First, it is socialistic. I believe I have answered that.

Second, it will check private enterprise from going into the overseas shipping business. What has private enterprise done in all the years past towards building up an American merchant marine? Practically nothing. Three ocean carriers under construction in a year and a half just past, when our trade was distressed for ships, is what individual or private enterprise has given us. From the standpoint of supplying the demands of commerce and trade, from the standpoint of the needs of the army and navy, from the standpoint of taking our rightful place on the seas, from the standpoint of urgent national necessity, the call is for mail and cargo ships, convertible as may be required into auxiliaries and transports. There is no way open to us but for the government to lead off right now in responding to that call. The government will never encroach on any routes that are being taken care of by private steamship lines, under the American flag.

Third, it is said that the government merchant marine will be a financial failure. I am afraid that is just what many who oppose the measure fear it will not be. I am assured by practical steamship people that it will be almost impossible for the government merchant marine to lose money; that the profits in ocean shipping are so large in normal times, and particularly so at present, that it is inconceivable that any shipping enterprise carried out on the scale this would be can lose money. On the contrary, I am assured that satisfactory profits can be earned after making very material reductions in freight and passenger rates. The reports of earnings of numerous steamship lines which I have seen fully bear this out.

The *Washington Post* of November 1st published a "special" from New York, which carried this statement:

The mercantile marine of Great Britain has reaped such a golden harvest to its financiers as makes Arabian Nights' dream of wealth. They have been allowed by the government to increase freights from 500 to 600 per cent, the complete removal of German competition from the high seas and the arbitrary regulation of American competition having given the Britishers an absolute monopoly. Old vessels which eighteen months ago could hardly have been sold at breaking-up prices of \$50 or \$60, have found ready purchasers at from \$125,000 to \$300,000, and in many cases have paid for themselves in a single voyage.

A large London importer of corn from South America, while gloating over his profits on freight rates, which have risen from 10 shillings per ton in the first half of 1914 to 75 shillings per ton at the present, considered it a matter of the highest importance that the government should take steps to prohibit any and all competition from neutral countries, especially from the United States.

The Cunard Company has paid a dividend of 20 per cent, despite the loss of the *Lusitania*, with consequent suits for damages by the families of the victims, which amounted to an enormous sum, and despite submarine perils, which at different periods practically cut off the passenger traffic on English ships from American ports. Frederick Leyland & Company are paying only their usual dividend of 10 per cent, but they have this year erased from their budget all arrears accumulated during the past three years. The Empire Transport Company acknowledges that its net profits for this year are an

increase of 100 per cent over the net profits for the period from June, 1913 to June, 1914.

The London-American Maritime Company, organized in June of last year under the special protection of the British government, has earned in its first year dividends of 27 per cent on its ordinary shares, while the holders of preference shares get an additional $11\frac{1}{2}$ per cent, or $38\frac{1}{2}$ per cent.

The *Journal of Commerce* of October 28th last says:

American exporters as far as trans-Atlantic trade is concerned, are facing a condition of acute congestion in shipping facilities and of unprecedentedly high ocean transportation charges. Ship owners are reaping a veritable bonanza.

Under date of Oct. 27th last the *Journal* gives the statement of a railroad official that the railroads coming into New York are handling the largest amount of traffic in their history, and the congestion at terminals is likely to be the greatest ever seen, due to the inability of ship lines to move the freight sent to this city, "which is already sufficient to fill five times over every vessel available for export purposes."

With freight embargoes at Galveston and threatened at New York, can there be any doubt that the absence of ships is holding back the movement of our commerce? There is serious need of American ships in the Australian trade. This commercial situation is pressing and I have by no means exhausted it.

Resolution No. 317, 63d Congress, 2d session, introduced by my distinguished friend who is to follow me, Mr. Weeks, suggested the use of the cruisers Columbia and Minneapolis and the scout cruisers Salem, Chester and Birmingham in the merchant service between the cities of New York and New Orleans and the city of Valparaiso, Chile, and intermediate ports. The annual cost of operating the Columbia and Minneapolis would be \$342,330 for each vessel. The annual cost of operating the Salem and Chester would be \$341,080 for each vessel. This would not include the expense of the shore establishment for operating the line. Each of the vessels could accommodate

only 15 to 20 male passengers and 150 tons of freight. The total gross income from passenger fares and freight for each vessel would be \$91,000 annually. The expense for operating the four vessels, exclusive of shore expenses, would be, per annum, \$1,366,820. The gross possible income for the four ships would be \$364,800. Of course, this scheme is out of the question.

Quite a different result would be reached with vessels about 10,000 tons deadweight, including 1,500 tons bunker space, leaving 8,500 tons deadweight space for cargo, with accommodations for 100 first-class passengers and about 75 intermediate passengers, speed to average 14 knots per hour fully laden—cost of construction in American shipyards not exceeding \$1,000,000 each. Instead of a loss of over a million dollars a year, the net annual earnings of four such steamers can be shown to be reasonably estimated at \$2,084,000.

However much we may differ on the question of our commercial necessities, we must surely be of one mind that reasonable preparedness requires that we have auxiliaries and transports, and they may be operated in the merchant service in times of peace, which we hope would embrace their lives. Last January, when the Ship Purchase Bill was before the Senate, I gave as one of the reasons for its passage our need of naval auxiliaries. I pointed out that Great Britain with all her naval establishment nevertheless found it necessary to commandeer about 1,500 merchant vessels. The need grows on us.

The government is compelled to build and acquire ships to meet the necessities of the navy. Naval auxiliaries are a certain and controlling need. These auxiliaries can be constructed so as to serve commerce in time of peace and to be made ready to serve the navy in times of threatened or actual war. It is an arm of the national defense which must be developed and made serviceable.

At least 400 vessels are required now for this purpose. This would make a good start toward a merchant marine, government owned and controlled. Secretary McAdoo says in his report on the Pan-American Conference, to the President:

I am informed by the Navy Department that, in order to bring our present navy up to its maximum usefulness and efficiency in time of war, there is needed 400 merchant vessels of approximately 1,172,000 gross tonnage of varied character and requirements; that in addition to this, "should our own coast be invested or even occasionally visited, there would be required a large number of small vessels fitted for mine sweeping, say, 324 vessels of about 150 gross tons each". We have only a small portion of the required tonnage in suitable merchant vessels of the larger units registered under our flag.

My time is exhausted and I shall not be able to consider this phase of the subject further. Indeed, a mere statement is sufficient. Elaboration would be superfluous in a gathering of intelligent and patriotic citizens like this.

Thought, however mature, conviction, however deep, get us nowhere until they begin to operate in will and act. Merely recounting with reiteration the deplorable situation, and nothing more, evidences a species of cynicism, an unhealthy state of mind—lays no keels.

There never was a time when a change in shipping conditions would be less disturbing and more advantageous than right now. Now is the best possible time to inaugurate such changes. Nothing will be gained by delay. We have all the information upon which to act. Satisfaction with present conditions means a sacrifice of golden opportunities and an inexcusable lack of proper conception of our responsibilities.

Monetary and trade supremacy had its inception on the banks of the Nile. It moved westward to the shores of the Mediterranean and thence further westward out into the open sea of commercial activity. It passed from Portugal to Spain, then to Holland, then to France, and then to England. Venice, Lisbon, Amsterdam, Antwerp succeeded each other as centers; then London, the frontier town of the Middle Ages, at last supplanted them all.

The earlier struggles were directed to the attainment of some particular national supremacy and that was to be founded on monopoly. That meant trouble. But the distinctive feature of commerce today is its international character. It is not a question of monopoly or particular supremacy; it is a

question in large measure of leadership, and in this the factors are natural advantages, better methods, better facilities of exchange, efficient and economical service, a sound currency and financial system and the freest markets. I have seen it averred that in all the world's history nothing has had lasting importance like trade. Pitt declared, "British rule is British trade." Chamberlain expressed the same thought in the statement, "The Empire is Commerce."

The marvelous resources of the United States, her financial strength and facilities, the awakening of the East and the promising outlook in Latin America, the Isthmian Canal, the opportunities for forming new commercial ties, the relations founded on a better understanding and mutual good will towards all the world, mean, if we but discharge our responsibilities, the establishment of commanding centers of trade in the United States and drawing westward again commercial leadership.

The great English poet and dramatist gives us this picture :

Antonio is sad. Salarino says to him—

"Your mind is tossing on the ocean,
There, where your argosies with portly sail,
Like signiors and rich burghers on the flood,
Or, as it were, the pageants of the sea,
Do overpeer the petty traffickers,
That curtsy to them, do them reverence,
As they fly by them with their woven wings."

To which Antonio replies—

"Believe me, no ; I thank my fortune for it,
My ventures are not in one bottom trusted,
Nor to one place ; nor is my whole estate
Upon the fortune of this present year,
Therefore my merchandise makes me not sad."

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